

**REPORT OF THE DIRECTOR OF THE OFFICE OF STATE AND LOCAL FINANCE
CITY OF KINGSPORT, TENNESSEE
CONCERNING THE PROPOSED ISSUANCE OF ITS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2013**

The City of Kingsport (the "City") submitted a plan of refunding (the "Plan"), as required by Tennessee Code Annotated Section 9-21-903 regarding the issuance of not to exceed \$43,250,000 General Obligation Refunding Bonds, Series 2013 (the "2013 Refunding Bonds"). The 2013 Refunding Bonds will refund by competitive sale, an estimated:

- \$3,800,000 General Obligation Refunding Bonds, Series 2004 (the "2004 GO Bonds");
- \$4,400,000 Water and Sewer Revenue and Tax Refunding Bonds, Series 2004 (the "2004 W&S Bonds");
- \$1,295,000 General Obligation Bonds, Series 2005 (the "2005 GO Bonds");
- \$1,990,000 Water and Sewer Revenue and Tax Refunding Bonds, Series 2005 (the "2005 W&S Bonds");
- \$9,205,000 General Obligation School and Public Improvement Bonds, Series 2006 (the "2006 GO Bonds");
- \$1,080,000 Water and Sewer Revenue and Tax Bonds, Series 2006 (the "2006 W&S Bonds");
- \$735,426 Drinking Water State Revolving Fund Loan Agreement, Loan DWF 98-009 (the "98 DWF Loan");
- \$949,364 Wastewater State Revolving Fund Loan Agreement, Loan SRF 98-119 (the "98 SRF Loan");
- \$1,177,062 Wastewater State Revolving Fund Loan Agreement, Loan SRF 99-123 (the "99 SRF Loan");
- \$1,264,510 Wastewater State Revolving Fund Loan Agreement, Loan CWSRF 2007-200 (the "07 CWSRF Loan");
- \$17,761,817 Wastewater State Revolving Fund Loan Agreement, Loan SRF 07-197 (the "07 SRF Loan"); and
- \$1,247,560 Wastewater State Revolving Fund Loan Agreement, Loan CGA 09-240 (the "09 CGA Loan").

The 2005 GO Bonds, 2005 W&S Bonds, 2006 GO Bonds, and 2006 W&S Bonds will be advance refunded, the 2004 GO Bonds, 2004 W&S Bonds, 2006 GO Bonds, 2006 W&S Bonds, 98 DWF Loan, 98 SRF Loan, 99 SRF Loan, 07 CWSRF Loan, 07 SRF Loan, and 09 CGA Loan will be current refunded. These are collectively the "Refunded Bonds."

The Plan was prepared with the assistance of the City's municipal advisor, RAYMOND JAMES | Morgan Keegan. The City provided a copy of its debt management policy.

Refunding Analysis

- The results for the refunding are based on the assumption that the estimated \$42,710,000 Series 2013 Refunding Bonds will be sold through competitive sale and priced with an estimated premium of \$4,742,412.
- Estimated net present value savings is \$2,276,202 or 5.08% of the refunded principal.
- The savings are achieved by Issuing the 2013 Refunding Bonds at a premium and at more favorable interest rates in the current market.
- The proposed 2013 Refunding Bonds do not extend the maturity schedule of the Refunded Bonds.
- Estimated cost of issuance of the 2013 Refunding Bonds is \$470,325 or \$11.01 per \$1,000 of par amount for the 2013 Refunding Bonds.

The City has identified RAYMOND JAMES | Morgan Keegan as its municipal advisor. Municipal Advisors have a fiduciary responsibility to you, the issuer. Underwriters have no fiduciary responsibility to you. They represent the interests of their firm.

This report of the Office of State and Local Finance does not constitute approval or disapproval by the Office for the Plan or a determination that a refunding is advantageous or necessary nor that any of the refunded obligations should be called for redemption on the first or any subsequent available redemption date or remain outstanding until their respective dates of maturity. This report is based on information as presented in the Plan by the City. The assumptions included in the City's Plan may not reflect either current market conditions or market conditions at the time of sale.

This report does not provide broad approval to refund the 2013 Refunded Bonds in a bond issue other than the proposed 2013 Refunding Bonds. If all of the Refunded Bonds are not refunded as a part of the 2013 Refunding Bonds, then a new plan will have to be submitted to this Office for review.



Mary-Margaret Collier
Director of the Office of State and Local Finance
Date: December 14, 2012